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# EMERGENCY LOANS

Available  
in Designated  
Areas

U. S. DEPARTMENT OF AGRICULTURE  
Farmers Home Administration

PA-273

[Revised]

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# PRODUCTION EMERGENCY LOANS

## Where Loans are Made

Production emergency loans are made in areas designated by the Secretary of Agriculture where (1) serious losses in agricultural production have occurred as a result of drought, floods, storms, or some other natural calamity, and (2) there is a widespread need among the farmers of the area for credit to continue their normal farming operations and such credit cannot be obtained through commercial banks, cooperative lending institutions, or other responsible sources. These loans are authorized by Public Law 38, 81st Congress, as amended.

## How Areas are Designated

When an emergency arises, the Farmers Home Administration State Director, acting on information obtained through and recommendations by local agricultural leaders, groups, and agencies, reports to the agency's Administrator in Washington. The report describes the nature and extent of the emergency, furnishes estimates of damage and losses sustained, and gives factual information concerning the availability of local credit and need for emergency credit. A recommendation for designation of the area is made to the Secretary if such action is justified.

## Who is Eligible

Any established farm owner or farm operator in a designated area, who is primarily engaged in farming is eligible if he (1) has suffered a substantial production loss because of the drought, flood, storm, or other natural calamity, (2) is unable to obtain from other lenders the credit required to continue his normal operations, and (3) has reasonable prospects for success with the assistance of a loan.

## Loan Purposes

Loans may be made for the purchase of feed, seed, fertilizer, replacement equipment and livestock; for other essential farm and home operating expenses; and for the replacement or repair of buildings, fences, drainage and irrigation systems on individual

farms that were damaged or destroyed by the disaster. Loans may not be made for refinancing existing debts or to compensate applicants for their losses.

## **Repayment Terms**

Loans bear 3 percent interest and are scheduled for repayment over the minimum period of time consistent with the borrower's ability to repay. Ordinarily these loans are scheduled for repayment in 1 to 5 years, depending on purposes for which loans are made; however, loans for repair or improvement of real estate may be scheduled over longer periods, usually not to exceed 10 years. Amounts advanced for crop production purposes are repayable when the income that is derived from the sale of the crops produced with the loans is received.

## **Security Requirements**

Loans are secured by (1) a first lien on all crops to be produced with the loan and on all livestock, farm machinery, and farm equipment purchased with the loan funds, (2) the best lien obtainable on all other crops growing or to be grown, and (3) whenever necessary, the best lien obtainable on livestock, farm machinery, and farm equipment already owned by the applicant. Real estate security is always required when advances are made primarily for improvements to real estate, and in other instances when necessary to protect the Government's interest.

## **Applications**

Full information concerning production emergency loans, as well as application forms, may be obtained at county offices of the Farmers Home Administration serving the designated area.

## **ECONOMIC EMERGENCY LOANS**

Public Law 38, 81st Congress, as amended, also provides authority for making agricultural loans where the President has designated major disaster areas under Public Law 875, 81st Congress, provided the Secretary of Agriculture determines that economic conditions in the area resulting from the disaster have caused a need for agricultural credit that cannot be met by existing credit sources. These

loans are made under the same policies as those governing production emergency loans, except that applicants are not required to establish a production loss.

## **SPECIAL EMERGENCY LOANS**

Public Law 727, 83rd Congress, as amended, provides authority for making emergency loans for agricultural purposes in other areas. These loans may be made in areas where the Secretary of Agriculture determines there is a need for such credit which cannot be met for a temporary period from commercial banks, cooperative lending agencies, the Farmers Home Administration under its regular programs or under Public Law 38, 81st Congress, as amended, or other responsible sources.

The terms and conditions under which these loans are made are similar to those for other types of emergency loans except that no special emergency loan can exceed \$15,000 and no loan may be made which would cause the total indebtedness of a borrower under this Act to exceed \$20,000. Like other emergency loans, these loans cannot be made to refinance existing indebtedness. The authority for these loans expires June 30, 1959.